MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BBF2064 – ISLAMIC BANKING AND FINANCE

(All Sections/Groups)

6th MARCH 2020
3.00 p.m - 5.00 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 2 pages with 4 questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a) What is a "murabahah" sale? Briefly discuss **THREE (3)** specific conditions that must be met for a murabahah sale contract to be valid? (15 marks)

(b) In March 2020, CIMB Islamic has RM2 million surplus fund and wishes to place it out for 30 days. At the same time, PUBLIC Islamic also is in need of a similar amount for the same tenure. After both parties agreed with the terms of the transaction, both banks then execute commodity transactions through the Bursa Suq Al-Sila' (BSAS). BSAS is a commodity trading platform specifically dedicated to facilitate Islamic financial instituitions liquidity management. CIMB Islamic will first purchase Crude Palm Oil (CPO) from BSAS at spot price (RM2 million) and then sell the CPO to PUBLIC Islamic at deferred payment at 3 percent per annum, the prevailing profit margin for the commodity at that time. PUBLIC Islamic, through CIMB Islamic acting as its agent, will subsequently sell the CPO to the BSAS at spot price (RM2 million), thereby generating a placement.

(i) Calculate the profit payable to CIMB Islamic. (5 marks)
(ii) Calculate the percentage return for CIMB Islamic. (3 marks)
(iii) What type of profit earned by investing bank upon maturity? (2 marks)

(Total: 25 marks)

QUESTION 2

(a) Briefly explain **TWO (2)** differences between the single model of takaful and the hybrid model of takaful. Why do you think the hybrid model of takaful is a better model?

(15 marks)

(b) Briefly discuss **FIVE (5)** major differences between takaful and conventional insurance in Malaysia. (10 marks)

(Total: 25 marks)

QUESTION 3

Islamic finance differs from conventional financing in their adherence to Shariah, or Islamic law, which bans the charging of interest and forbids investment in the sin activities such as alcohol, tobacco and gambling. In financing corporate debt, corporation may consider sukuk issuance. Briefly explain the following sukuk and provide a diagrammatical illustration for each sukuk.

(a) Ijarah Sukuk (15 marks)
(b) Musyarakah Sukuk (10 marks)

(Total: 25 marks)

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QUESTION 4

(a) Malaysia has maintained its position as the global leader in Islamic finance and the sector has matured to become vibrant with a diverse set of industry players. Malaysia has continued to be the main driver for the sukuk market and represented 51 percent of the total global outstanding sukuk in 2018, while continuing to lead in Islamic wealth management industry with 36.5 percent of the global share as at end-2017. Briefly discuss **FIVE (5)** features that contributed to the success of Malaysia as the global Islamic financial hub. (15 marks)

(b) Islamic finance is becoming more relevant and vibrant in the global financial market. Regulatory bodies in different jurisdictions have introduced different policies with various regulatory concerns. Discuss **TWO (2)** challenges and issues faced by the Islamic financial institutions in coping with more complex products and sophisticated participants. (10 marks)

(Total: 25 marks)

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